



Corporation Tax Act 2010

2010 CHAPTER 4

PART 8

OIL ACTIVITIES

[^{F1}CHAPTER 3A

RATES AT WHICH CORPORATION TAX IS CHARGED ON RING FENCE PROFITS

Textual Amendments

- F1** Pt. 8 Ch. 3A inserted (with effect in accordance with Sch. 1 para. 22 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 1 para. 5\(3\)](#)

The rates

279A Corporation tax rates on ring fence profits

- (1) Corporation tax is charged on ring fence profits at the main ring fence profits rate.
- (2) But subsection (3) provides for tax to be charged at the small ring fence profits rate instead of the main ring fence profits rate in certain circumstances.
- (3) Corporation tax is charged at the small ring fence profits rate on a company's ring fence profits of an accounting period if—
 - (a) the company is UK resident in the accounting period, and
 - (b) its augmented profits of the accounting period do not exceed the lower limit.
- (4) In this Act—

“the main ring fence profits rate” means 30%, and
“the small ring fence profits rate” means 19%.

Status: Point in time view as at 18/11/2015.

Changes to legislation: Corporation Tax Act 2010, CHAPTER 3A is up to date with all changes known to be in force on or before 15 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

Marginal relief

279B Company with only ring fence profits

- (1) This section applies if—
- (a) a company is UK resident in an accounting period,
 - (b) its augmented profits of the accounting period—
 - (i) exceed the lower limit, but
 - (ii) do not exceed the upper limit, and
 - (c) its augmented profits of that period consist exclusively of ring fence profits.
- (2) The corporation tax charged on the company's taxable total profits of the accounting period is reduced by an amount equal to—

$$R \times (U - A) \times (N A)$$

where—

R is the marginal relief fraction,

U is the upper limit,

A is the amount of the augmented profits, and

N is the amount of the taxable total profits.

- (3) In this Chapter “the marginal relief fraction” means 11/400ths.

279C Company with ring fence profits and other profits

- (1) This section applies if—
- (a) a company is UK resident in an accounting period,
 - (b) its augmented profits of the accounting period—
 - (i) exceed the lower limit, but
 - (ii) do not exceed the upper limit, and
 - (c) its augmented profits of that period consist of both ring fence profits and other profits.
- (2) The corporation tax charged on the company's taxable total profits of the accounting period is reduced by the sum equal to the marginal relief fraction of the ring fence amount.

279D The ring fence amount

- (1) In section 279C “the ring fence amount” means the amount given by the formula—

$$(UR - AR) \times (NR AR)$$

- (2) In this section—

$$AR A$$

UR is the amount given by multiplying the upper limit by—

AR is the total amount of any ring fence profits that form part of the augmented profits of the accounting period,

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NR is the total amount of any ring fence profits that form part of the taxable total profits of the accounting period, and

A is the amount of the augmented profits of the accounting period.

The lower limit and the upper limit

279E The lower limit and the upper limit

- (1) This section gives the meaning in this Chapter of “the lower limit” and “the upper limit” in relation to an accounting period of a company (“A”).
- (2) If no company is a related 51% group company of A in the accounting period—
 - (a) the lower limit is £300,000, and
 - (b) the upper limit is £1,500,000.
- (3) If one or more companies are related 51% group companies of A in the accounting period—
 - (a) the lower limit is—
$$£ 300,000 (1 + N)$$
and
 - (b) the upper limit is—
$$£ 1, 500,000 (1 + N)$$
where N is the number of those related 51% group companies.
- (4) For an accounting period of less than 12 months the lower limit and the upper limit are proportionately reduced.

Related 51% group companies

279F “Related 51% group company”

- (1) For the purposes of this Chapter a company (“B”) is a related 51% group company of another company (“A”) in an accounting period if for any part of the accounting period—
 - (a) A is a 51% subsidiary of B,
 - (b) B is a 51% subsidiary of A, or
 - (c) both A and B are 51% subsidiaries of the same company.
- (2) The rule in subsection (1) applies to each of two or more related 51% group companies even if they are related 51% group companies for different parts of the accounting period.
- (3) But a related 51% group company is ignored for the purposes of section 279E if—
 - (a) it has not carried on a trade or business at any time in the accounting period, or
 - (b) it was a related 51% group company for part only of the accounting period and has not carried on a trade or business at any time in that part of the accounting period.

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- (4) Subsection (3) is subject to subsections (5) to (9).
- (5) Subsection (6) applies if a company carries on a business of making investments in an accounting period and throughout the period the company—
- (a) carries on no trade,
 - (b) has one or more 51% subsidiaries, and
 - (c) is a passive company.
- (6) The company is treated for the purposes of subsection (3) as not carrying on a business at any time in the accounting period.
- (7) A company is a passive company throughout an accounting period only if the following requirements are met—
- (a) it has no assets in that period, other than shares in companies which are its 51% subsidiaries,
 - (b) no income arises to it in that period other than dividends,
 - (c) if income arises to it in that period in the form of dividends—
 - (i) the redistribution condition is met (see subsection (8)), and
 - (ii) the dividends are franked investment income received by it,
 - (d) no chargeable gains accrue to it in that period,
 - (e) no expenses of management of the business mentioned in subsection (5) are referable to that period, and
 - (f) no qualifying charitable donations are deductible from the company's total profits of that period.
- (8) The redistribution condition is that—
- (a) the company pays dividends to one or more of its shareholders in the accounting period, and
 - (b) the total amount paid in the form of those dividends is at least equal to the amount of the income arising to the company in the form of dividends in that period.
- (9) If income arises to a company in an accounting period in the form of a dividend and the requirement in subsection (7)(c) is met in respect of the income—
- (a) neither the dividend nor any asset representing it is treated as an asset of the company in that accounting period for the purposes of subsection (7)(a), and
 - (b) no right of the company to receive the dividend is treated as an asset of the company for the purposes of subsection (7)(a) in that period or any earlier accounting period.

Modifications etc. (not altering text)

C1 S. 279F modified (18.11.2015) by Finance (No. 2) Act 2015 (c. 33), s. 39(1)(2)(a)

Augmented profits

279G “Augmented profits”

- (1) For the purposes of this Chapter a company's augmented profits of an accounting period are—

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- (a) the company's adjusted taxable total profits of that period, plus
 - (b) any franked investment income received by the company that is not excluded by subsection (3).
- (2) A company's "adjusted taxable total profits" of a period are what would have been the company's taxable total profits of the period in the absence of sections 1(2A), 2B and 8(4A) of TCGA 1992 and section 2(2A) of CTA 2009 (certain gains on relevant high value disposals by companies etc chargeable to capital gains tax not corporation tax).
- (3) This subsection excludes any franked investment income which the company ("the receiving company") receives from a company which is—
- (a) a 51% subsidiary of—
 - (i) the receiving company, or
 - (ii) a company of which the receiving company is a 51% subsidiary, or
 - (b) a trading company or relevant holding company that is a quasi-sub subsidiary of the receiving company.
- (4) For the purposes of subsection (3)(b) a company is a quasi-sub subsidiary of the receiving company if—
- (a) it is owned by a consortium of which the receiving company is a member,
 - (b) it is not a 75% subsidiary of any company, and
 - (c) no arrangements of any kind (whether in writing or not) exist by virtue of which it could become a 75% subsidiary of any company.

Modifications etc. (not altering text)

C2 S. 279G modified (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 39\(1\)\(2\)\(a\)](#)

279H Interpretation of section 279G(3) and (4)

- (1) For the purposes of section 279G(3)(a), a company ("A") is a 51% subsidiary of another company ("B") only at times when—
- (a) B would be beneficially entitled to more than 50% of any profits available for distribution to equity holders of A, and
 - (b) B would be beneficially entitled to more than 50% of any assets of A available for distribution to its equity holders on a winding up.
- (2) The requirement in subsection (1) is in addition to the requirements of section 1154(2) (meaning of 51% subsidiary).
- (3) In determining for the purposes of section 279G(3)(a) whether or not a company is a 51% subsidiary of another company ("C"), C is treated as not being the owner of share capital if—
- (a) it owns the share capital indirectly,
 - (b) the share capital is owned directly by a company ("D"), and
 - (c) a profit on the sale of the shares would be a trading receipt for D.
- (4) In section 279G(3)(b) and this section—
- "trading company" means a company whose business consists wholly or mainly of carrying on a trade or trades, and

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“relevant holding company” means a company whose business consists wholly or mainly of holding shares in or securities of trading companies that are its 90% subsidiaries.

- (5) For the purposes of section 279G(4), a company is owned by a consortium if at least 75% of the company's ordinary share capital is beneficially owned by two or more companies each of which—
- (a) beneficially owns at least 5% of that capital,
 - (b) would be beneficially entitled to at least 5% of any profits available for distribution to equity holders of the company, and
 - (c) would be beneficially entitled to at least 5% of any asset of the company available for distribution to its equity holders on a winding up.
- (6) The companies meeting those conditions are called the members of the consortium.
- (7) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsections (1) and (5) as it applies for the purposes of section 151(4)(a) and (b).]

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